

**REPORT OF THE AUDIT OF THE
JACKSON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2008**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE JACKSON COUNTY FISCAL COURT

June 30, 2008

The Auditor of Public Accounts has completed the audit of the Jackson County Fiscal Court for the fiscal year ended June 30, 2008. We have issued unqualified opinions on the governmental activities, each major fund, and aggregate remaining fund information financial statements of Jackson County, Kentucky. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Jackson County's major federal program: Watershed Protection and Flood Prevention (CFDA #10.904).

Financial Condition:

The fiscal court had net assets of \$7,075,497 as of June 30, 2008. The fiscal court had unrestricted net assets of \$1,040,351 in its governmental activities as of June 30, 2008.

Report Comments:

- 2008-1 The Jackson County Public Properties Corporation Fund Was Not Presented In Prior Year
- 2008-2 The County Should Require Timesheets On All Non-Elected Employees

Deposits:

The Fiscal Court's deposits as of August 31, 2007, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$598,459

The Fiscal Court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the Fiscal Court's deposits in accordance with the security agreement.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steve L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable William O. Smith, Jackson County Judge/Executive

Members of the Jackson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Jackson County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Jackson County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson County, Kentucky, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with the modified cash basis of accounting.

The County has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be a part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of budgetary comparison information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Steve L. Beshear, Governor
Jonathan Miller, Secretary
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Honorable William O. Smith, Jackson County Judge/Executive
Members of the Jackson County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jackson County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2009 on our consideration of Jackson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying schedule of findings and questioned costs, included herein, which discusses the following report comments:

- 2008-1 The Jackson County Public Properties Corporation Fund Was Not Presented In Prior Year
- 2008-2 The County Should Require Timesheets On All Non-Elected Employees

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

June 30, 2009

JACKSON COUNTY OFFICIALS

For The Year Ended June 30, 2008

Fiscal Court Members:

William O. Smith	County Judge/Executive
Leon Bingham	Magistrate
Raymond Dale Vaughn	Magistrate
Doug Rose	Magistrate

Other Elected Officials:

George Hayes	County Attorney
Ronnie Gabbard	Jailer
Donald Moore	County Clerk
Bobby Morris	Circuit Court Clerk
Tim Fee	Sheriff
Paul Rose	Property Valuation Administrator
Melvin Lakes	Coroner

Appointed Personnel:

Beth Sallee	County Treasurer
Teresa Truett	Occupational Tax Collector
Larry Truett	Road Supervisor

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JACKSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

JACKSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 9,905,380
Total Current Assets	<u>9,905,380</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Construction In Progress	4,770,527
Land and Land Improvements	647,273
Buildings	1,011,283
Vehicles and Equipment	1,000,157
Infrastructure	1,975,877
Total Noncurrent Assets	<u>9,405,117</u>
Total Assets	<u>19,310,497</u>
LIABILITIES	
Current Liabilities:	
First Mortgage Revenue Bonds	415,000
Total Current Liabilities	<u>415,000</u>
Noncurrent Liabilities:	
First Mortgage Revenue Bonds	11,820,000
Total Noncurrent Liabilities	<u>11,820,000</u>
Total Liabilities	<u>12,235,000</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	6,035,146
Unrestricted	1,040,351
Total Net Assets	<u><u>\$ 7,075,497</u></u>

The accompanying notes are an integral part of the financial statements.

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JACKSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2008

JACKSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 702,332	\$	\$ 316,216	\$
Protection to Persons and Property	724,731		95,389	
General Health and Sanitation	545,073	26,222		
Social Services	5,000			
Recreation and Culture	62,821			
Roads	1,575,944		1,982,685	
Interest on Long-term Debt	185,006			
Capital Projects	96,608			2,272,577
Total Governmental Activities	\$ 3,897,515	\$ 26,222	\$ 2,394,290	\$ 2,272,577

General Revenues:

Taxes:

Real Property Taxes

Motor Vehicle Taxes

Occupational Taxes

Insurance License Fee Taxes

Other Taxes

Excess Fees

Miscellaneous Revenues

Unrestricted Investment Earnings

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

JACKSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

**Net (Expenses) Revenues
and Changes in Net Assets**
Primary Government

**Governmental
Activities**

\$	(386,116)
	(629,342)
	(518,851)
	(5,000)
	(62,821)
	406,741
	(185,006)
	2,175,969

\$	795,574
----	---------

\$	147,174
	64,922
	689,700
	443,180
	81,463
	36,630
	603,248
	64,030

	2,130,347
	2,925,921
	4,149,576

\$	7,075,497
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The accompanying notes are an integral part of the financial statements.

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JACKSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

JACKSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

	General Fund	Road Fund	Jail Fund	LGEA Fund	Special Grant Fund
ASSETS					
Cash and Cash Equivalents	\$ 625,713	\$ 88,281	\$ 11,487	\$ 104,879	\$ 46,451
Total Assets	<u>625,713</u>	<u>88,281</u>	<u>11,487</u>	<u>104,879</u>	<u>46,451</u>
FUND BALANCES					
Unreserved:					
General Fund	625,713				
Special Revenue Funds		88,281	11,487	104,879	46,451
Debt Service Funds					
Capital Projects Fund					
Total Fund Balances	<u>\$ 625,713</u>	<u>\$ 88,281</u>	<u>\$ 11,487</u>	<u>\$ 104,879</u>	<u>\$ 46,451</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 9,905,380
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used In Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported In The Funds.	11,655,625
Depreciation	(2,250,508)
Long-term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not	
Reported In The Funds.	
Bonds	<u>(12,235,000)</u>
Net Assets Of Governmental Activities	<u>\$ 7,075,497</u>

The accompanying notes are an integral part of the financial statements.

JACKSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2008
(Continued)

Jackson County Public Properties Corporation	Non- Major Funds	Total Governmental Funds
<u>\$ 8,865,029</u>	<u>\$ 163,540</u>	<u>\$ 9,905,380</u>
<u>8,865,029</u>	<u>163,540</u>	<u>9,905,380</u>
		625,713
	163,539	414,637
	1	1
<u>8,865,029</u>		<u>8,865,029</u>
<u>\$ 8,865,029</u>	<u>\$ 163,540</u>	<u>\$ 9,905,380</u>

The accompanying notes are an integral part of the financial statements.

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JACKSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

JACKSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>LGEA Fund</u>
REVENUES				
Taxes	\$ 1,424,223	\$	\$	\$
In Lieu Tax Payments	108,287	114,453		
Excess Fees	36,630			
Intergovernmental	207,929	1,583,611	95,389	284,621
Charges for Services	26,222			
Miscellaneous	271,033	16,171		12,096
Interest	6,552	7,551	316	3,169
Total Revenues	<u>2,080,876</u>	<u>1,721,786</u>	<u>95,705</u>	<u>299,886</u>
EXPENDITURES				
General Government	646,976	10,800		6,419
Protection to Persons and Property	269,012		457,405	89,672
General Health and Sanitation				29,702
Social Services				5,000
Recreation and Culture				40,721
Roads		1,616,811		178,357
Debt Service		11,377		
Capital Projects	249,900			
Administration	337,443	205,029	62,117	19,717
Total Expenditures	<u>1,503,331</u>	<u>1,844,017</u>	<u>519,522</u>	<u>369,588</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>577,545</u>	<u>(122,231)</u>	<u>(423,817)</u>	<u>(69,702)</u>
Other Financing Sources (Uses)				
Bond Proceeds				
Payment On Bond Anticipation Note				
Bond Discount				
Transfers From Other Funds	125,352		385,000	
Transfers To Other Funds	(385,000)	(125,352)		
Total Other Financing Sources (Uses)	<u>(259,648)</u>	<u>(125,352)</u>	<u>385,000</u>	
Net Change in Fund Balances	317,897	(247,583)	(38,817)	(69,702)
Fund Balances - Beginning (Restated)	307,816	335,864	50,304	174,581
Fund Balances - Ending	<u>\$ 625,713</u>	<u>\$ 88,281</u>	<u>\$ 11,487</u>	<u>\$ 104,879</u>

The accompanying notes are an integral part of the financial statements.

JACKSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

Special Grant Fund	Jackson County Public Properties Corporation	Non- Major Funds	Total Governmental Funds
\$	\$	\$ 2,216	\$ 1,426,439
			222,740
			36,630
1,579,659		692,918	4,444,127
			26,222
		303,948	603,248
	45,772	670	64,030
<u>1,579,659</u>	<u>45,772</u>	<u>999,752</u>	<u>6,823,436</u>
			664,195
		2,404	818,493
1,600,492		957,242	2,587,436
			5,000
		11,029	51,750
			1,795,168
	184,186	13,281	208,844
	2,322,457		2,572,357
		20,362	644,668
<u>1,600,492</u>	<u>2,506,643</u>	<u>1,004,318</u>	<u>9,347,911</u>
			664,195
			818,493
			2,587,436
			5,000
			51,750
			1,795,168
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		20,362	644,668
<u>1,600,492</u>	<u>2,506,643</u>	<u>1,004,318</u>	<u>9,347,911</u>
			664,195
			818,493
			2,587,436
			5,000
			51,750
			1,795,168
	184,186	13,281	208,844
	2,322,457		2,572,357
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JACKSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

JACKSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 8,305,008
--	--------------

Amounts Reported For Governmental Activities In The Statement Of Activities Are Different Because Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement Of Activities The Cost Of Those Assets Are Allocated Over Their estimated useful lives and reported as depreciation expense.

Capital Outlay	5,985,697
----------------	-----------

Depreciation Expense	(403,622)
----------------------	-----------

The Issuance Of Long-term Debt (e.g. bonds, financing obligations) Provides Current Financial Resources To Governmental Funds, While Repayment Of Principal On Long-term Debt Consumes The Current Financial Resources Of Governmental Funds. These Transactions, However, Have No Effect On Net Assets.

Revenue Bond Proceeds	(12,235,000)
-----------------------	--------------

Financing Obligations Principal Amount	23,838
--	--------

Bond Anticipation Note Payments	1,250,000
---------------------------------	-----------

Change In Net Assets Of Governmental Activities	<u><u>\$ 2,925,921</u></u>
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**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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JACKSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Jackson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on these organizations. These organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

JACKSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

The Jackson County Recreation and Parks Board

The Jackson County Recreation and Parks Board is established for the purpose of maintaining and overseeing the day-to-day operations of the county parks. The Jackson County Fiscal Court is financially accountable for the Board; therefore, management must include the Board as part of the reporting entity and its financial activity is blended with that of the Fiscal Court.

Jackson County Public Properties Corporation

The fiscal court appoints the voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Jackson County Public Properties Corporation.

C. Jackson County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Jackson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Jackson County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

JACKSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The purpose of this fund is to account for funds received and expended for the purposes intended as dictated by the applicable Kentucky Revised Statutes.

Special Grant Fund - The purpose of this fund is to account for grant funds received and expended to special grant funded projects.

JACKSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Jackson County Public Properties Corporation - The Jackson County Public Properties Corporation accounts for the activities of the Jackson County Public Properties Corporation, a blended component unit of the county. The Jackson County Public Properties Corporation issued debt to build a new Justice Center. The Jackson County Public Properties Corporation entered into a lease agreement with the County and Administrative Office of the Courts (AOC) of the Commonwealth of Kentucky. The Department for Local Government does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: State Grant Fund, DES Fund, Forestry Fund, Transfer Fund, KADD Fund and the Recreation and Parks Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Special Grant Fund, State Grant Fund, DES Fund, Forestry Fund, Transfer Fund and the Recreation and Parks Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

Jackson County Public Properties Corporation is presented as a capital projects fund to account for construction costs associated with the New Justice Center. The Jackson County Public Properties Corporation accounts for the activities of the Jackson County Public Properties Corporation, a blended component unit of the county. The Jackson County Public Properties Corporation issued debt to build the Justice Center. The Jackson County Public Properties Corporation entered into a lease agreement with the County and Administrative Office of the Courts (AOC) of the Commonwealth of Kentucky. The Department for Local Government does not require the fiscal court to report or budget these funds.

Debt Service Fund:

The KADD Fund is presented as a debt service fund. Debt service funds are used to account for the accumulation of resources for and the payment of general long-term debt principal payments.

JACKSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

JACKSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Jointly Governed Organizations

A jointly governed organization is an entity that results from a multigovernmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility by the participating governments. The jointly governed organization can act independently of each of the participating governments. The Jackson County McKee Industrial Development Authority meets the criteria noted above and is disclosed as an organization jointly governed by Jackson County and the City of McKee.

JACKSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 2. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480 (1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). On August 31, 2007, the government's bank balance was exposed to custodial credit risk because the bank did not adequately collateralize the government's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$598,459

JACKSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government: Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 397,373	\$ 249,900	\$	\$ 647,273
Construction In Progress		4,770,527		4,770,527
Total Capital Assets Not Being Depreciated	397,373	5,020,427		5,417,800
Capital Assets, Being Depreciated:				
Buildings	1,236,215	262,605		1,498,820
Vehicles and Equipment	1,848,087	175,692		2,023,779
Infrastructure	2,188,253	526,973		2,715,226
Total Capital Assets Being Depreciated	5,272,555	965,270		6,237,825
Less Accumulated Depreciation For:				
Buildings	(454,734)	(32,803)		(487,537)
Vehicles and Equipment	(924,325)	(99,297)		(1,023,622)
Infrastructure	(467,827)	(271,522)		(739,349)
Total Accumulated Depreciation	(1,846,886)	(403,622)		(2,250,508)
Total Capital Assets, Being Depreciated, Net	3,425,669	561,648		3,987,317
Governmental Activities Capital Assets, Net	\$ 3,823,042	\$ 5,582,075	\$ 0	\$ 9,405,117

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 7,324
Protection to Persons and Property	56,630
General Health and Sanitation	848
Recreation and Culture	11,071
Roads, Including Depreciation of General Infrastructure Assets	327,749
Total Depreciation Expense - Governmental Activities	<u>\$ 403,622</u>

JACKSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt

A. 2003 Komatsu Wheel Loader

On February 20, 2003, the County entered into a lease agreement with Komatsu Financial for the purchase of a Komatsu wheel loader. Terms of the lease agreement stipulate a five-year repayment schedule with monthly principal and interest payments of \$1,207. This lease has been paid in full.

B. 2003 GMC Dump Truck

On May 30, 2003, the County entered into a lease agreement with Volvo Commercial Finance for the purchase of a GMC dump truck. Terms of the lease agreement stipulate a five-year repayment schedule with monthly principal and interest payments of \$1,025. This lease has been paid in full.

C. First Mortgage Revenue Bond Anticipation Notes, Series 2006

On April 27, 2006, the Jackson County Public Properties Corporation, a component unit of the Jackson County Fiscal Court, issued First Mortgage Revenue Bond Anticipation Notes, Series 2006 totaling \$1,250,000 in order to finance preliminary activities related to the construction of a Justice Center, including land acquisition, architecture fees, engineering fees, etc. Interest payments were due on November 1 and May 1 each year beginning November 1, 2006. The entire principal amount was due on May 1, 2008. On December 1, 2007, the Jackson County Public Properties Corporation issued First Mortgage Revenue Bonds (Justice Center Project), Series 2007 (see note below) and used part of the bond proceeds to retire the First Mortgage Revenue Bond Anticipation Notes, Series 2006. As of June 30, 2008, the entire principal balance of the bond anticipation notes was paid in full.

D. First Mortgage Revenue Bonds (Justice Center Project), Series 2007

On December 1, 2007, the Jackson County Public Properties Corporation, a component unit of the Jackson County Fiscal Court, issued First Mortgage Revenue Bonds (Justice Center Project), Series 2007 for the construction of a Justice Center. The bond issue totaled \$12,235,000 in order to plan, design, and construct the new judicial facility. Interest payments are due in June and December of each fiscal year beginning in June 2008, with annual principal payments due on December 1 of each year, beginning December 1, 2008. The bonds are due to be paid in full on December 1, 2027.

The Jackson County Public Properties Corporation executed a lease agreement with the Administrative Office of the Courts (AOC) of the Commonwealth of Kentucky in which AOC expresses its intent to occupy, operate, and maintain the Jackson County Justice Center. AOC will provide use allowance rental payments equal to the principal and interest due on the Justice Center directly to the bond trustee. The Jackson County Public Properties Corporation is reliant upon these use allowance rental payments in order to meet annual debt service requirements.

JACKSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt (Continued)

D. First Mortgage Revenue Bonds (Justice Center Project), Series 2007 (Continued)

The lease is renewable annually. AOC has expressed its desire to renew the lease until all debt service requirements are met, however, AOC is statutorily required to limit obligations to any given biennium. The total principal balance outstanding as of June 30, 2008, was \$12,235,000. Debt service requirements for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest And Fees
2009	\$ 415,000	\$ 484,444
2010	430,000	469,656
2011	445,000	454,344
2012	460,000	438,506
2013	480,000	421,456
2014-2018	2,690,000	1,814,956
2019-2023	3,280,000	1,225,613
2024-2028	4,035,000	462,735
Totals	<u>\$ 12,235,000</u>	<u>\$ 5,771,710</u>

E. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	(Restated) Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds	\$	\$12,235,000	\$	\$12,235,000	\$ 415,000
Bond Anticipation Notes	1,250,000		1,250,000		
Financing Obligations	23,838		23,838		
Governmental Activities					
Long-term Liabilities	<u>\$ 1,273,838</u>	<u>\$12,235,000</u>	<u>\$ 1,273,838</u>	<u>\$12,235,000</u>	<u>\$ 415,000</u>

JACKSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 5. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 6. Insurance

For the fiscal year ended June 30, 2008, Jackson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 7. Adjustments To Prior Period

Adjustments to the prior period were made as follows:

Beginning Fund Balances

- General Fund decreased by \$334 for prior year differences.
- Jackson County Public Properties Corporation was increased by \$496,417. This fund was not stated in prior year report.
- Transfer Fund was decreased by \$153 for prior year differences.
- KADD Fund was decreased by \$728 for prior year differences.
- Recreation and Parks Fund was decreased by \$943 for prior year differences.

Long-term Debt Restated

- 2006 Bond Anticipation Notes of \$1,250,000 were not included in the prior year report.
- Financing Obligations ending balances were decreased 2,173 for prior year differences.

Capital Assets Restated

- Capital assets were restated by \$152,249, due to prior year errors.

Note 8. Subsequent Event

The Fiscal Court is studying and planning for the construction of a new detention center at an estimated cost of \$3,500,000. These monies have been budgeted in the 2009-2010 budget.

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JACKSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008

JACKSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2008

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,344,300	\$ 1,370,300	\$ 1,424,223	\$ 53,923
In Lieu Tax Payments	97,000	97,000	108,287	11,287
Excess Fees	15,450	36,250	36,630	380
Intergovernmental Revenue	137,875	137,875	207,929	70,054
Charges for Services	20,000	20,000	26,222	6,222
Miscellaneous	2,000	259,152	271,033	11,881
Interest	1,200	1,200	6,552	5,352
Total Revenues	1,617,825	1,921,777	2,080,876	159,099
EXPENDITURES				
General Government	583,795	683,795	646,976	36,819
Protection to Persons and Property	236,397	285,497	269,012	16,485
General Health and Sanitation	50,000	50,000		50,000
Capital Projects		254,852	249,900	4,952
Administration	307,773	307,773	337,443	(29,670)
Total Expenditures	1,177,965	1,581,917	1,503,331	78,586
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	439,860	339,860	577,545	237,685
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	125,352	125,352	125,352	
Transfers To Other Funds	(630,358)	(630,358)	(385,000)	245,358
Total Other Financing Sources (Uses)	(505,006)	(505,006)	(259,648)	245,358
Net Changes in Fund Balance	(65,146)	(165,146)	317,897	483,043
Fund Balance - Beginning	65,146	165,146	307,816	142,670
Fund Balance - Ending	\$ 0	\$ 0	\$ 625,713	\$ 625,713

JACKSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
In Lieu Tax Payments	\$ 84,769	\$ 99,611	\$ 114,453	\$ 14,842
Intergovernmental Revenue	1,021,930	1,589,262	1,583,611	(5,651)
Miscellaneous	1,000	1,000	16,171	15,171
Interest	4,000	4,000	7,551	3,551
Total Revenues	1,111,699	1,693,873	1,721,786	27,913
EXPENDITURES				
General Government	10,800	10,800	10,800	
Roads	848,279	1,585,780	1,616,811	(31,031)
Debt Service	15,000	15,000	11,377	3,623
Administration	219,535	234,377	205,029	29,348
Total Expenditures	1,093,614	1,845,957	1,844,017	1,940
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	18,085	(152,084)	(122,231)	29,853
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(125,352)	(125,352)	(125,352)	
Total Other Financing Sources (Uses)	(125,352)	(125,352)	(125,352)	
Net Changes in Fund Balance	(107,267)	(277,436)	(247,583)	29,853
Fund Balance - Beginning	107,267	277,436	335,864	58,428
Fund Balance - Ending	\$ 0	\$ 0	\$ 88,281	\$ 88,281

JACKSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 106,040	\$ 106,040	\$ 95,389	\$ (10,651)
Interest	500	500	316	(184)
Total Revenues	106,540	106,540	95,705	(10,835)
EXPENDITURES				
Protection to Persons and Property	655,798	655,798	457,405	198,393
Administration	86,100	86,100	62,117	23,983
Total Expenditures	741,898	741,898	519,522	222,376
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(635,358)	(635,358)	(423,817)	211,541
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	630,358	630,358	385,000	(245,358)
Total Other Financing Sources (Uses)	630,358	630,358	385,000	(245,358)
Net Changes in Fund Balance	(5,000)	(5,000)	(38,817)	(33,817)
Fund Balance - Beginning	5,000	5,000	50,304	45,304
Fund Balance - Ending	\$ 0	\$ 0	\$ 11,487	\$ 11,487

JACKSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 192,500	\$ 192,500	\$ 284,621	\$ 92,121
Miscellaneous		11,005	12,096	1,091
Interest	150	150	3,169	3,019
Total Revenues	192,650	203,655	299,886	96,231
EXPENDITURES				
General Government	6,109	6,109	6,419	(310)
Protection to Persons and Property	135,579	135,579	89,672	45,907
General Health and Sanitation	41,000	41,000	29,702	11,298
Social Services	6,000	6,000	5,000	1,000
Recreation and Culture	36,063	40,063	40,721	(658)
Roads	105,000	112,005	178,357	(66,352)
Administration	29,262	29,262	19,717	9,545
Total Expenditures	359,013	370,018	369,588	430
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(166,363)	(166,363)	(69,702)	96,661
Net Changes in Fund Balances	(166,363)	(166,363)	(69,702)	96,661
Fund Balances - Beginning	166,363	166,363	174,581	8,218
Fund Balances - Ending	\$ 0	\$ 0	\$ 104,879	\$ 104,879

JACKSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

SPECIAL GRANT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 3,535,388	\$ 3,535,388	\$ 1,579,659	\$ (1,955,729)
Total Revenues	3,535,388	3,535,388	1,579,659	(1,955,729)
EXPENDITURES				
General Health and Sanitation	3,355,388	3,355,388	1,600,492	1,754,896
Capital Projects	180,000	180,000		180,000
Total Expenditures	3,535,388	3,535,388	1,600,492	1,934,896
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)			(20,833)	(20,833)
Net Changes in Fund Balances			(20,833)	(20,833)
Fund Balances - Beginning			67,284	67,284
Fund Balances - Ending	\$ 0	\$ 0	\$ 46,451	\$ 46,451

JACKSON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2008

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

JACKSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2008

JACKSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2008

	State Grant Fund	DES Fund	Forestry Fund	Transfer Fund
ASSETS				
Cash and Cash Equivalents	\$ 90,313	\$ 45,987	\$ 793	\$ 14,612
Total Assets	<u>90,313</u>	<u>45,987</u>	<u>793</u>	<u>14,612</u>
FUND BALANCES				
Unreserved:				
Special Revenue Funds	90,313	45,987	793	14,612
Debt Service Fund				
Total Fund Balance	<u>\$ 90,313</u>	<u>\$ 45,987</u>	<u>\$ 793</u>	<u>\$ 14,612</u>

The accompanying notes are an integral part of the financial statements

JACKSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2008
(Continued)

KADD Fund	Recreation and Parks Fund	Total Non-Major Governmental Funds
<u>\$ 1</u>	<u>\$ 11,834</u>	<u>\$ 163,540</u>
<u>1</u>	<u>11,834</u>	<u>163,540</u>
<u>1</u>	<u>11,834</u>	<u>163,539</u>
<u>\$ 1</u>	<u>\$ 11,834</u>	<u>\$ 163,540</u>

The accompanying notes are an integral part of the financial statements

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JACKSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2008

JACKSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2008

	State Grant Fund	DES Fund	Forestry Fund	Transfer Fund
REVENUES				
Taxes	\$	\$	\$ 2,216	\$
Intergovernmental	518,029	142,642		32,247
Miscellaneous				298,483
Interest			38	519
Total Revenues	<u>518,029</u>	<u>142,642</u>	<u>2,254</u>	<u>331,249</u>
EXPENDITURES				
Protection to Persons and Property			2,404	
General Health & Sanitation	483,886	167,113		306,243
Recreation and Culture				
Debt Service				13,281
Administration				20,362
Total Expenditures	<u>483,886</u>	<u>167,113</u>	<u>2,404</u>	<u>339,886</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>34,143</u>	<u>(24,471)</u>	<u>(150)</u>	<u>(8,637)</u>
Net Change in Fund Balances	34,143	(24,471)	(150)	(8,637)
Fund Balances - Beginning (Restated)	56,170	70,458	943	23,249
Fund Balances - Ending	<u>\$ 90,313</u>	<u>\$ 45,987</u>	<u>\$ 793</u>	<u>\$ 14,612</u>

The accompanying notes are an integral part of the financial statements

JACKSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2008
(Continued)

KADD Fund	Recreation and Parks Fund	Total Non-Major Governmental Funds
\$	\$	\$ 2,216
		692,918
	5,465	303,948
	113	670
	5,578	999,752
		2,404
		957,242
	11,029	11,029
		13,281
		20,362
	11,029	1,004,318
	(5,451)	(4,566)
	(5,451)	(4,566)
1	17,285	168,106
\$ 1	\$ 11,834	\$ 163,540

The accompanying notes are an integral part of the financial statements

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JACKSON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JACKSON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2008

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
Cash Programs:			
U.S. Department of Agriculture			
<u>Natural Resources Conservation Service</u>			
Watershed Protection and Flood Prevention Pigeon Roost Flood Mitigation Project	Not Available	10.904	\$ 379,350
U.S. Department of Housing and Urban Development			
Passed Through Office of Community Planning and Development Community Development Block Grant State Program Water Line Extension Grant	Not Available	14.228	36,576
U.S. Department of Homeland Security			
Passed Through KY Office of Homeland Security and KY Department of Military Affairs Chemical Stockpile Emergency Preparedness Program	Not Available	97.040	167,113
U.S. Department of Commerce			
<u>National Oceanic And Atmospheric Administration</u>			
Environmental Sciences, Applications, Data, and Education Personal Responsibility In A Desirable Environment Litter Grant	Not Available	11.440	28,178
U.S. Department of Transportation			
<u>Federal Highway Administration</u>			
Passed Through KY Transportation Cabinet Highway Planning and Construction Transportation Equity Act for the 21st Century Big Hill Welcome Center	Not Available	20.205	<u>46,465</u>
Total Cash Expenditures of Federal Awards			<u>\$ 657,682</u>

JACKSON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2008

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Jackson County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable William O. Smith, Jackson County Judge/Executive
Members of the Jackson County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 30, 2009. Jackson County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jackson County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jackson County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jackson County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2008-01 to be a significant deficiency in internal control over financial reporting.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Jackson County's financial statements as of and for the year ended June 30, 2008, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2008-2.

The Jackson County Judge/Executive's response to the finding identified in our audit is included in the accompanying schedule of findings and questioned costs. We did not audit the County Judge/Executive's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

June 30, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable William O. Smith, Jackson County Judge/Executive
Members of the Jackson County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Jackson County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Jackson County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Jackson County's management. Our responsibility is to express an opinion on Jackson County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jackson County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Jackson County's compliance with those requirements.

In our opinion, Jackson County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Jackson County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Jackson County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jackson County's internal control over compliance.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

June 30, 2009

JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2008

**JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, each major fund, and aggregate remaining fund information of Jackson County, Kentucky.
2. One significant deficiency and material weakness relating to the internal control of the audit of the financial statements is reported in the Independent Auditor's Report.
3. One instance of noncompliance material to the financial statements of Jackson County were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Jackson County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Jackson County reported in the schedule.
7. The program tested as a major program was: Watershed Protection and Flood Prevention (CFDA# 10.904)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Jackson County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

INTERNAL CONTROL - MATERIAL WEAKNESS

2008-1 The Jackson County Public Properties Corporation Fund Was Not Presented In Prior Year

The Jackson County Public Properties Corporation Fund was not presented in the prior year financial statements. This has resulted in two material adjustments to the beginning balances for the current year financial statements:

- \$496,417 increase in beginning cash balances for balances in the Judicial Center Construction Fund.
- \$1,250,000 increase in long-term debt for Judicial Center Bond Anticipation Notes.

We recommend the Fiscal Court ensure all funds are included in the financial statements and are properly presented.

William O. Smith, Jackson County Judge Executive's Response: The prior year auditors were given what we thought was all the information. Nothing was mentioned to us about the Judicial Center. This years auditors asked for the information and the information was provided to them.

STATE LAWS AND REGULATIONS

2008-2 The County Should Require Timesheets On All Non-Elected Employees

KRS 337.320 states that every employer shall keep record of the hours worked each day and each week by each employee.

JACKSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2008
(Continued)

STATE LAWS AND REGULATIONS (Continued)

2008-2 The County Should Require Timesheets On All Non-Elected Employees (Continued)

During our testing of payroll, we noted that the park director did not have a time sheet. We recommend that time sheets be kept on all employees that are not elected officials.

William O. Smith, Jackson County Judge Executive's Response: We will speak with the individual whom has not turned in a timesheet. This timesheet issue will be resolved.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None

D. SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

2007-1 The County Should Require Timesheets On All Non-Elected Employees

This finding was not corrected and has been repeated as finding 2008-2.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

JACKSON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2008**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

JACKSON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2008

The Jackson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



William O. Smith
County Judge/Executive



Beth Sallee
County Treasurer

